VZCZCXRO2250
PP RUEHCD RUEHGD RUEHHO RUEHMC RUEHNG RUEHNL RUEHRD RUEHRS RUEHTM
DE RUEHME #3937/01 2061637
ZNR UUUUU ZZH
P 251637Z JUL 07
FM AMEMBASSY MEXICO
TO RUEHC/SECSTATE WASHDC PRIORITY 8150
INFO RUEHXC/ALL US CONSULATES IN MEXICO COLLECTIVE PRIORITY
RUCPDOC/DEPT OF COMMERCE WASHDC PRIORITY

UNCLAS SECTION 01 OF 02 MEXICO 003937

SIPDIS

SIPDIS

STATE FOR WHA/MEX, WHA/EPSC, EB/IFD/OIA
USDOC FOR 4320/ITA/MAC/WH/ONAFTA/GERI WORD

E.O. 12958: N/A
TAGS: ECON EINV ELTN ENRG MX
SUBJECT: MEXICO'S NATIONAL INFRASTRUCTURE PLAN

REF: A. MEXICO 2852

¶B. MEXICO 3246

Summary

¶1. (U) Summary. President Calderon presented the National Infrastructure Program (NIP) on July 18. The NIP is the infrastructure component of Mexico's National Development Plan (ref A) and seeks to improve Mexico's competitiveness. The plan presents ambitious goals for infrastructure investment with the participation of both the public and private sectors. Calderon also highlighted three different outcomes based on the government's ability to pass structural reforms. The NIP was well received and could prove a strong foundation for increasing Mexico's infrastructure posture. Calderon Administration (Presidencia) contacts expressed a strong interest in encouraging the participation of U.S. investment in the plan. End Summary.

National Infrastructure Program 2007-2012

¶2. (U) Emboffs joined federal officials, state governors, Mexican congressmen, and private sector representatives for President Calderon's presentation of the National Infrastructure Program 2007-2012: "Constructing a better Mexico" (NIP) on July 18. The infrastructure program is divided into four parts: the current situation, the long term vision with objectives and strategies, the sectoral vision with indicators and specific goals, and the investment requirements to achieve the goals. Sectors covered by the plan include highways, airports, intermodal terminals, water projects, and telecommunications and information technology. The Secretariat of Communications and Transportation (SCT), the Secretariat of the Environment and Natural Resources (SEMARNAT), the Secretariat of Energy (SENER), and the Secretariat of Tourism (SECTUR) share roles in carrying out

SIPDIS
the proposal.

¶3. (U) The NIP calls on the government and private sector to join together to increase the quality and quantity of public investment in infrastructure, adding that Mexico needs to take advantage of its economic stability to develop its infrastructure. The World Economic Forum ranks Mexico 64th out of 125 countries for infrastructure competitiveness. Infrastructure investment averaged only 3.2 percent of GDP for the previous 5 years with non-energy related infrastructure investment only accounting for 1.8 percent of GDP. This compares to Chile where infrastructure investment is 5.8 percent of GDP and China at 7.3 percent.

¶4. (U) Calderon presented three objectives to be accomplished during his term: improve water, electricity and sewage systems and construct schools and hospitals to connect poorer regions of Mexico to the rest of the country; construct and improve the infrastructure necessary to increase national competitiveness; and convert Mexico into a "logistical powerhouse" by taking advantage of its geographical and commercial advantages. The NIP calls for Mexico to be a leader in Latin American infrastructure coverage and quality by 2012 and among the top 20 percent of all countries by 2030.

Three Infrastructure Scenarios

¶5. (U) Calderon calls for investments of USD 231 billion over the next 5 years, a 50 percent real increase in infrastructure investment over the last administration. The majority of the investment will be joint public-private with 55 percent from federal, state and municipal sources and 45 percent from the private sector. He noted that the estimates depend on passage of the fiscal reform package (ref B). He planted three scenarios for infrastructure development termed "base", "inertia" (decreased investment), and "outstanding" (greater investment). The "base" scenario assumes that the Mexican Congress passes the fiscal reform law and at least half of the increase in revenue is channeled towards infrastructure. Under this scenario, with the support of private sector investments, Mexico can expect an additional 0.6 percent in economic growth and an additional 700 thousand new jobs. The "inertia" scenario assumes that Congress does not pass the fiscal reform law and would call for a decrease in infrastructure spending as moneys intended for infrastructure projects are used to support other government expenditures. The last scenario, dubbed "outstanding", would require not only fiscal reform, but also labor, energy, or telecommunications reform. According to

Calderon, these structural changes would accelerate development in the country and could free up nearly USD 300 billion over the next 6 years representing infrastructure investment of 5.5 percent of GDP. To achieve the best results, Calderon said that, in addition to pushing the structural reforms needed his administration is taking other concrete steps, including: increasing resources for infrastructure development, increasing judicial certainty (through the elimination of excessive regulation on infrastructure investment) and improving coordination between the government and private sector.

U.S. Business Sector Participation Encouraged

¶6. (U) In meeting with Emboffs, Presidencia contacts highlighted the time frame for the various projects presented by Calderon. While the initial 300-plus projects under consideration are set to be completed by 2012, Presidencia would also look towards adding to the list of projects if certain reforms are passed (i.e. adding energy projects after the passage of energy reform), and adding projects with completion dates into the next administration. To encourage U.S. business participation, the Embassy FCS office is in talks with the GOM over a possible TDA-supported conference to be held in winter 2007-2008. Presidencia expressed a strong interest in the conference whose purpose would be to present key projects listed in the plan for consideration by U.S. contractors and providers.

Comment

¶7. (U) Comment: The groups in attendance supported the NIP. Calderon added extra credibility to the viability of the plan by detailing the various reforms that would be needed to fully realize the program, as well as the outcome if the

fiscal reform package, on which the program is strongly based, is not passed. If the administration manages to push any number of the needed reforms through, the plan is a strong foundation for the infrastructure development needed to improve Mexico's overall competitiveness. As an added benefit, there is ample room for American companies to participate as private sector investors. End Comment.

Visit Mexico City's Classified Web Site at http://www.state.sgov.gov/p/wha/mexicocity and the North American Partnership Blog at http://www.intelink.gov/communities/state/nap /
GARZA